

Analysts: Medicare Drug Costs Will Rise

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WASHINGTON (AP) - Seniors will face annual increases in premiums and deductibles - and a growing gap in coverage - for the prescription drugs they buy under the new Medicare law, budget analysts say.

For example, the \$250 annual deductible at the start of the program in 2006 is projected to rise to \$445 by 2013.

The legislation that won final congressional approval Tuesday would allow seniors to buy coverage - at an estimated monthly premium of \$35 - for their prescription drugs beginning in three years. After they agreed to the monthly premiums and paid their first \$250 in pharmacy bills, the coverage would kick in, paying 75 percent of their bills between \$250 and \$2,250.

After that, there would be no further coverage until beneficiaries' drug bills for the year reached \$5,100, leaving a gap of \$2,850 that they would have to pay out of their own pockets. Above \$5,100 the insurance would pick up roughly 95 percent of costs.

Those are the numbers supporters of the bill have used, with little mention that they would change in future years.

But after just one year, the Congressional Budget Office projects that seniors would see their \$250 deductible and the \$2,850 gap for which there is no coverage both jump 10 percent.

By 2013, the eighth year of the program, the deductible and the coverage gap are both projected to grow by 78 percent.

In other words, seniors would pay a \$445 deductible and those with the largest drug bills would be entirely responsible for more than \$5,000 in drug costs.

"I think these numbers will come as a shock to consumers and they are pretty optimistic projections based on what drug costs are going to do," said Gail Shearer, a health policy analyst at Consumers Union and an opponent of the legislation. She noted the focus has been on 2006, the year the prescription drug benefit begins.

At the same time, CBO said, Medicare's contribution also would rise each year so that the program would pay \$1,500 of the first \$2,250 in drug costs in 2006 and \$2,666 of the first \$4,000 in 2013.

Insurance premiums, which are not set in the bill even for 2006, are projected to increase 65 percent to \$58 a month by 2013.

The numbers were contained in a CBO analysis provided to Sen. Don Nickles, R-Okla., the Senate Budget Committee chairman, and are posted on the CBO Web site.

The projections reflect the lawmakers' decision to tie the cost of the program to increases in drug costs from inflation, new costly drugs coming on the market and expected increases in drug purchases.

"The numbers inflate with the cost of the program. I think that's a good provision," said Nickles, who voted against the bill.

But David Certner, an official of AARP, said: "One of our complaints has been that this benefit would become more unaffordable over time if pegged to drug costs. This bill does not do enough to hold down drug costs."

The AARP tried but failed to get Congress to include measures to slow the rise of drug prices - including allowing cheaper drugs from Canada and giving Medicare authority to negotiate drug prices. Still, the 35-million-member seniors organization endorsed the bill.

"This is a key issue we'll be coming back to," Certner said.

CBO Director Douglas Holtz-Eakin said there is not even an assurance that the initial monthly premium for the drug benefit will be \$35. That number could change by 2006 depending on the many "moving pieces" on which the formula is based, he said.